

CHAPTER 5
RAILROAD REVOLVING LOAN AND GRANT FUND PROGRAM

765—5.1(327H,327I) Introduction. The railroad revolving loan and grant fund program provides funding in the form of loans and grants for railroad-related improvement projects that spur economic development and job growth. The railroad revolving loan and grant fund is established in Iowa Code section 327H.20A as amended by 2005 Iowa Acts, House File 875, section 31, and is under the control of the Iowa railway finance authority (IRFA).

765—5.2(327H,327I) Definitions.

“Rail facilities” includes railroad main lines, branch lines, switching yards, sidings, rail connections, intermodal yards and highway grade separations.

765—5.3(327H,327I) Information. Information may be obtained from IRFA staff at the following address: Iowa Railway Finance Authority Coordinator, Office of Rail Transportation, Iowa Department of Transportation, 800 Lincoln Way, Ames, Iowa 50010; telephone (515)239-1140. Completed applications shall be submitted to this address.

765—5.4(327H,327I) Purpose of program. The purpose of the railroad revolving loan and grant fund program is to provide loans and grants for railroad-related improvement projects that will provide benefits to Iowa in terms of direct economic development and job growth or through economic benefits derived from railroad transportation service improvements.

765—5.5(327H,327I) Funding.

5.5(1) The IRFA board is responsible for determining the projects to be funded and the amount of funding for each project.

5.5(2) The minimum amount of matching funds required of an applicant is 20 percent of the project cost.

5.5(3) No more than 50 percent of the total funds available in any year shall be awarded in the form of grants.

765—5.6(327H,327I) Project criteria.

5.6(1) All rail facilities are eligible for project funding except:

- a.* At-grade crossing surface repair or replacement unless the repair or replacement is a part of railroad line construction or reconstruction.
- b.* Signals, gates or other crossing protection unless the crossing protection is a part of new railroad line construction.

5.6(2) An applicant must demonstrate that its project will provide benefits to Iowa in terms of direct economic development and job growth or through economic benefits derived from railroad transportation service improvements.

765—5.7(327H,327I) Applicant eligibility. A railroad company, railroad user, city, county, metropolitan planning organization, regional planning affiliation, or any other entity with an interest in a rail transportation improvement is eligible to apply for funding. Joint applications are allowed and encouraged, but the applicants shall designate one contact person.

765—5.8(327H,327I) Eligible and ineligible project costs.

5.8(1) Eligible costs. Activities or items eligible for funding include, but are not limited to, the following:

- a.* Modernization, upgrading or reconstruction of existing rail facilities.
- b.* Construction of new rail facilities.
- c.* Railroad bridge and culvert modernization, replacement or removal.
- d.* Right-of-way acquisition costs.

5.8(2) Ineligible costs. The following activities or items are ineligible for funding:

- a. Contract administration.
- b. Freight car or locomotive lease, purchase or repair.
- c. Feasibility studies, environmental studies or major investment studies related to a railroad improvement project.
- d. Refinancing of a completed project that would have otherwise qualified under this chapter.

765—5.9 Reserved.

765—5.10(327H,327I) Project application.

5.10(1) Submission. Applications may be submitted at any time.

- a. The applicant shall submit an original and two copies of a project application to the address in rule 765—5.3(327H,327I).
- b. If an application is incomplete, IRFA staff shall return the application to the applicant to be resubmitted when it is complete.
- c. An application may be withdrawn at any time after submission.

5.10(2) Contents of application. Each application shall contain the following:

- a. The applicant's name, address, telephone number, facsimile number and E-mail address (if available) and the name of a designated contact person for the project.
- b. A detailed description of the project proposed for funding, including a map or sketch plan.
- c. The justification for the project, including the following information:
 - (1) The need for and purpose of the project.
 - (2) How the project will impact the local and state economies, including the number of new jobs to be created, the number of potential jobs that may be created and the number of jobs to be retained as a result of the project.
 - (3) The long-term growth and development potential of the area or industry to be supported and the direct and indirect economic, transportation, and environmental impacts of the project.
- d. An itemized estimate of all project costs and the proposed match or cost sharing based on the requested funding. A detailed financial plan to explain the funding for the entire project should be included, along with any associated development costs.
- e. A time schedule for the completion of the project.
- f. The total amount of loan and grant funds requested.
- g. If loan funds are requested, the proposed loan term and interest rate and a detailed description of the applicant's ability to repay the loan. IRFA staff may require the applicant to provide audited financial statements for the past two years plus a current balance sheet and profit/loss statement for the entity that is to repay the loan. If the entity that is to repay the loan is a new entity, the applicant shall, instead, provide a pro forma balance sheet and pro forma profit/loss statement.
- h. If requested by IRFA staff, endorsement of the project by a local government(s) that will be affected by the project and a description of how the project will impact the local government's transportation and economic development plans.

765—5.11(327H,327I) Project evaluation and approval.

5.11(1) Staff review. IRFA staff shall review the contents of each application for completeness. IRFA staff may visit the project site and may require the applicant to verify the information in the application. After IRFA staff determines that the application is complete, the staff shall develop a funding recommendation and shall schedule the project for submission to the IRFA board for approval.

5.11(2) Board evaluation. The IRFA board shall be responsible for selecting and determining the funding for each project, subject to the availability of railroad revolving loan and grant funds. The IRFA board may fund all or part of a project and may make funding dependent upon the applicant's adherence to a time schedule or fulfillment of specified conditions, including job creation commitments.

5.11(3) Board approval. In making its decision to fund a project, the IRFA board may consider the railroad transportation service benefits of the project, the economic development benefits of the project,

the applicant's total capital investment, the number of direct and indirect jobs to be created or preserved by the project, the financing requested, an analysis of public benefits versus public costs, and other potential impacts or benefits of the project.

765—5.12(327H,327I) Project agreement and administration.

5.12(1) *Agreement.* After the IRFA board has approved funding for a project, IRFA staff shall negotiate and execute an agreement with the applicant. IRFA staff shall administer the agreement.

a. The agreement shall specify the scope of the project, the approved funding level, and other conditions for project funding.

b. As applicable, the agreement shall address responsibilities for project design, right-of-way acquisition, contracting, construction and materials inspection; documentation required for reimbursement of project costs; audit requirements; and maintenance of the completed project.

5.12(2) *Reimbursement.* The applicant will be reimbursed for eligible project costs in accordance with the agreement.

5.12(3) *Audits.*

a. Prior to execution of the agreement, IRFA staff may perform a preaudit evaluation of the applicant or others as defined in the agreement. A preaudit evaluation typically includes an examination of accounting methods to determine the applicant's ability to segregate and accumulate costs to be charged against the project, and an analysis of costs factors to ensure their propriety and allowability.

b. IRFA staff may conduct a final audit of all project costs.

5.12(4) *Default.* IRFA staff may revoke a funding commitment, seek repayment of funds loaned or granted or take both actions if the applicant fails to fulfill the terms of the agreement.

These rules are intended to implement Iowa Code section 327H.20A as amended by 2005 Iowa Acts, House File 875, section 31, and section 327I.8 as amended by 2005 Iowa Acts, House File 875, section 33.

[Filed 11/15/05, Notice 9/28/05—published 12/7/05, effective 1/11/06]